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# Reports and Testimony: January 1992

## Highlights

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### Budget Issues

*The estimate of the fiscal year 1991 budget deficit nearly tripled between the time the budget was submitted in January 1990 and the end of the fiscal year. Some of this large misestimate may be attributed to unanticipated events, but GAO found that other components of the misestimate would have been smaller had better estimating procedures been followed. Page 4.*

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### Automotive Industry

*Any federal government initiatives undertaken to aid U.S. auto companies should seek to encourage them to make the needed management changes to be world-class competitors rather than to merely protect them from competition and necessary change. Page 7.*

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### Transportation Infrastructure

*Highway bridges in 31 states are at risk from damage by earthquakes, but only limited progress has been made in identifying and correcting seismic-related bridge deficiencies. Page 32.*

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# Contents

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## Reports and Testimony: January 1992

Agriculture and Food	2
Budget and Spending	4
Business, Industry, and Consumers	5
Education	7
Energy	9
Environmental Protection	11
Financial Institutions	13
Financial Management	14
Government Operations	17
Health	20
Information Management	21
International Affairs	23
Justice and Law Enforcement	24
National Defense, Security, and Military Procurement	25
Science, Space, and Technology	29
Social Services	30
Tax Policy and Administration	31
Transportation	32
Veterans Affairs	34

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# Reports and Testimony: January 1992

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## Agriculture and Food

### **Farmers Home Administration: Debt Relief Actions for Business Entity Borrowers Are Questionable**

GAO/RCED-92-29, Dec. 10 (21 pages).

The Farmers Home Administration (FmHA) has provided about \$2.8 billion in debt relief to delinquent borrowers under provisions of the Agriculture Credit Act of 1987. In providing debt relief to corporations or partnerships, has FmHA neglected to obtain current financial information for individuals who cosigned promissory notes for these borrowers, resulting in the granting of more debt relief than warranted. This report (1) determines the number of business entity borrowers and the dollar value of their FmHA farm loans, entity borrowers who are delinquent and eligible for FmHA debt relief, and entity borrowers who have already received FmHA debt relief; (2) examines how FmHA county offices implemented the agency's April 1989 guidance, which clarified existing regulations on granting debt relief to business entity borrowers; and (3) determines whether FmHA recalculated the amount of debt relief provided to borrowers before issuance of the April 1989 guidance to minimize the government's losses in debt relief actions.

### **Crop Insurance: Inaccurate FCIC Price Forecasts Increase Program Costs**

GAO/PEMD-92-4, Dec. 13 (76 pages).

This is the last of three GAO reports on the accuracy of U.S. Department of Agriculture (USDA) forecasts. Previous studies looked at the accuracy of USDA's meat and budget commodity forecasts. (See GAO/PEMD-91-16, May 6, 1991, and GAO/PEMD-91-24, Aug. 13, 1991.) This report focuses on (1) the accuracy of the Federal Crop Insurance Corporation's (FCIC) independent price forecasts, (2) the effect of these inaccuracies on program costs, and (3) how FCIC can improve its forecast accuracy. GAO found that FCIC's corn, wheat, and soybean price forecasts exhibit large bias errors exceeding those of other available forecasts and that FCIC would have spent about \$194 million less than it did if it had used the forecasts made by the World Agricultural Outlook Board during crop years 1983 to 1989. GAO identified other forecasting and program costs issues affecting the actuarial soundness of the program. These include (1) forecasts being made earlier in the crop year than necessary, leading to potentially larger errors; (2) the lack of an effective management process for evaluating forecast accuracy

and methods; (3) the failure to adjust national program price selection options when information on local price variations can be used; and (4) the failure to deduct harvest costs when total crop losses occur.

**Crop Insurance:  
Program Has Not Fostered Significant Risk Sharing by Insurance  
Companies**

GAO/RCED-92-25, Jan. 13 (65 pages).

The federal crop insurance program has experienced many problems since Congress reformed it in 1980. At that time, private insurance companies began bearing some of the risk associated with the federal crop insurance policies they sold, and the Federal Crop Insurance Corporation (FCIC) assumed, through a reinsurance program, some of the companies' potential liabilities. Problems in the program—which GAO has reported on over the last 11 years—have contributed to the program's inability to meet many of the goals Congress set for actuarial soundness, private sector risk sharing, and participation. In addition, the provision of ad hoc disaster payments has undercut the role of crop insurance as the nation's primary way of delivering disaster assistance. During the 1980s, the government bore most of the risk for excess program losses. To ensure that companies would participate in the program, FCIC's reinsurance terms effectively shielded the companies from these losses. In fact, the reinsured companies collectively realized small profits in the years when the policies they sold had large losses. From 1981 to 1990, FCIC sustained over \$2.3 billion in excess losses, while the reinsured companies had net gains, through underwriting, of \$101 million. Under the 1990 farm bill, reinsured companies will bear more risk than they did in the past. The degree of company risk, however, will remain modest relative to the government's liability. Because the federal crop insurance program will likely experience continued excess losses, reinsured companies will have neither the capability nor the incentive to assume significantly greater risk.

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Testimony

Livestock Marketing: USDA's Oversight of Competitiveness Needs to Be Enhanced, by William E. Gahr, Associate Director for Food and Agriculture Issues, before the Subcommittee on Livestock, Dairy, and Poultry, House Committee on Agriculture. GAO/T-RCED-92-19, Jan. 15 (seven pages).

This testimony focuses on the U.S. Department of Agriculture's Packers and Stockyards Administration, which was created in the 1920s in response to monopolistic and other unfair business practices prevalent in the U.S. meat-packing industry. In recent years, a small number of meat-packers have acquired a large share of the livestock slaughter, raising concerns that competition could again be threatened. GAO's testimony is based on an October 1991 report (GAO/RCED-92-36) that (1) analyzes how the livestock and meat-packing industries have changed over time, especially in recent decades; and (2) evaluates what role the Packers and Stockyards Administration plays in monitoring anticompetitive practices by meat-packers in procuring livestock. In addition, GAO discusses other agency activities.

## Budget and Spending

### **Budget Issues:**

#### **1991 Budget Estimates—What Went Wrong**

GAO/OCG-92-1, Jan. 15 (63 pages).

GAO is very concerned that the \$268.7 billion budget deficit for fiscal year 1991—the largest in the nation's history—was almost triple the original estimate of the Office of Management and Budget. Some of this underestimation may be attributed to events that could not be anticipated, such as the full consequences of U.S. involvement in the Persian Gulf war, but the estimate would have been more accurate had better estimating procedures been followed. This report analyzes some of the factors contributing to the underestimate for 1991 and makes recommendations for improving future projections. The accuracy of budgetary projections must be improved if the government is to make greater progress in straightening out its fiscal affairs.

### **Line Item Veto:**

#### **Estimating Potential Savings**

GAO/AFMD-92-7, Jan. 22 (22 pages).

If presidential line item veto/line item reduction authority had been applied to all items to which the President objected during fiscal years 1984 through 1989, spending could have been cut by about \$70 billion. This would have reduced federal deficits and borrowing by 6.7 percent, from \$1,059 billion to \$989 billion. These estimates, however, are fraught with uncertainties, and other administration documents suggest that they may

overstate savings. GAO found that more than 70 percent of the line item veto savings in fiscal years 1984 through 1989 would have occurred in five areas that account for 20 percent of discretionary spending: (1) transportation; (2) commerce and housing credit; (3) education, training, employment, and social services; (4) income security; and (5) natural resources and the environment. Conversely, only two percent of the possible savings would have come in four areas that account for 70 percent of discretionary spending: (1) science, space, and technology; (2) national defense; (3) international affairs; and (4) veterans benefits and services.

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Testimony

Fiscal Year 1993 Budget Estimates for the General Accounting Office, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Legislative, House Committee on Appropriations. GAO/T-OCG-92-2, Jan. 28 (20 pages).

In this testimony on GAO's fiscal year 1993 funding needs, the Comptroller General discusses (1) the agency's accomplishments during the past year; (2) operational improvements affecting the quality and timeliness of GAO work; (3) renovation of GAO's headquarters in Washington, D.C.; (4) computer procurements; (5) the implementation of quality management principles at GAO; (6) pay-for-performance; (7) special initiatives concerning GAO's products and its relationship with Congress; and (8) planning for the 1992 Congress of the International Organization of Supreme Audit Institutions. GAO's fiscal year 1993 funding request totals approximately \$487 million, an increase of almost \$45 million over the fiscal year 1992 appropriation for salaries and expenses and a \$5 million decrease in rent receipts due to the planned move of the Department of Labor—a tenant in the GAO Building—to another location. Eighty-one percent of the requested increase will support GAO's current staffing level and provide goods and services in support of the agency's audit activities. The remainder will be devoted to funding for travel, renovation and asbestos removal in GAO's headquarters, computer procurement, and training.

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Business, Industry,  
and Consumers

**Small Business:  
Financial Condition of SBA's Business Loan Portfolio Is Improving**

GAO/RCED-92-49, Dec. 3 (72 pages).

This report provides information on loans made to small businesses under section 7(a) of the Small Business Act. This program, run by the Small Business Administration, was created to provide financial help to eligible small businesses that cannot borrow at reasonable terms from conventional lenders without government assistance. GAO discusses (1) the number and dollar amounts of direct and guaranteed loans in the portfolio by loan program, as well as demographic information on loan recipients, including their race, gender, and geographic location; (2) the performance of the portfolio as shown by the amount of outstanding principal that is current, in default, or in liquidation; and (3) statistics on overall losses to the direct and guaranteed portions of the portfolio, as well as losses incurred by each loan program.

**Small Business:  
Improving SBA Loan Collateral Liquidations Would Increase Recoveries**

GAO/RCED-92-5, Dec. 19 (42 pages).

The Small Business Administration (SBA) has the authority to provide assistance to new or existing small businesses through direct (government-funded) loans or guaranteed loans made by private lenders. With almost \$11.5 billion in outstanding loans, the general business loan program is SBA's largest financial assistance effort. However, more than \$1.2 billion of these loans are in liquidation. SBA is experiencing substantial losses in liquidating loans because (1) collateral is insufficient to cover the losses when loans are liquidated and (2) SBA does not maximize recoveries on existing loan collateral. This report provides an overview of SBA's liquidation of loan collateral for defaulted loans, including losses on liquidated loans; the adequacy and valuation of collateral; and collateral recovery efforts by SBA and private lenders.

**Drinking Water:  
Inadequate Regulation of Home Treatment Units Leaves Consumers at Risk**

GAO/RCED-92-34, Dec. 27 (46 pages).

Concerned about the safety of drinking water, consumers have increasingly turned to home water treatment units. Gross sales of these units grew almost 50 percent during the latter half of the 1980s, totaling nearly \$1.8 billion by 1990. Yet, as sales of these units have increased, so

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have reports of questionable sales practices and false claims of product effectiveness. This report looks at (1) the consumer and health concerns associated with these units, (2) the regulatory controls that protect the public from fraudulent claims or increased health risks, and (3) whether the Environmental Protection Agency or other federal agencies should take additional steps to protect the public.

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## Testimony

**Automotive Industry: The Competitive Challenge to U.S. Companies**, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Task Force on Urgent Fiscal Issues, House Committee on the Budget. GAO/T-NSIAD-92-7, Jan. 27 (18 pages).

This testimony, which discusses the competitiveness of the U.S. economy in general and the U.S. automobile industry in particular, is based on prior GAO work addressing the causes of the U.S. trade deficit, Japanese economic and industrial policies, foreign investment in the U.S. automobile industry, and management practices used by U.S. firms to improve their competitiveness. GAO concludes that the federal government can do a much better job of establishing the underlying conditions affecting the competitiveness of the U.S. economy. Some have called for the federal government to directly assist the U.S. automotive industry. However, government lacks the power to transform individual companies into world-class competitors—only corporate management has that ability. Some firms have shown how to accomplish this. In GAO's view, any federal initiatives should encourage needed management changes rather than merely protect auto industry firms from competition and necessary change.

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## Education

### **Arts Funding: Public Funding Profiles of the NEA States and Cities**

GAO/GGD-92-35FS, Dec. 23 (28 pages).

GAO is required to review federal, state, and local funding of the arts. This fact sheet provides arts funding profiles for the National Endowment for the Arts (NEA) for 50 states, six territories, and 49 cities. GAO found that combined state and federal arts funding increased about eight percent between fiscal years 1986 and 1992. NEA's funding remained stable during that period. State arts funding varied considerably, however, while city arts funding showed steady growth.

**Stafford Student Loans:  
Lower Subsidy Could Achieve Savings Without Affecting Access**

GAO/HRD-92-7, Jan. 6 (35 pages).

The cost of the Stafford Student Loan Program has come under increased scrutiny by public policymakers. Congress has tried to shift more costs to student borrowers by raising student loan interest rates, limiting program eligibility, and establishing unsubsidized loan programs. Congress is now exploring other ways to cut costs without affecting the program's mission of ensuring student access to loan capital. GAO looked at the effect that lower rates of return—as a consequence of cutting the subsidy rate—would have on the volume of Stafford loans supplied by commercial lenders. The rate of return most commercial lenders receive on Stafford loans is probably higher than the return necessary to retain them in the program, GAO concludes. As such, moderate reductions to the special allowance could generate substantial savings without jeopardizing the program's reliance on private loan capital. Guaranty agencies will continue to bridge the difference between student loan demand and loan capital supplied by commercial lenders through their direct loans programs. The guaranty agency lending necessary to offset the drop in commercial loans caused by a moderate reduction in the special allowance factor is well within their demonstrated lending capacity. A cut in the special allowance could increase the student loan market share controlled by large-scale commercial lenders. High-volume lenders have rarely left the program or curtailed their participation level. Therefore, a drop in future commercial loan supply caused by lowering the special allowance is likely to result from a few small-volume lenders leaving the program rather than from a proportionate decrease by all lenders. To capitalize on economies of scale, high-volume commercial lenders may absorb some of the student loan market abandoned by these small lenders.

**Student Financial Aid:  
Most Supplemental Educational Opportunity Grants Are Awarded  
to Needy Students**

GAO/HRD-92-47, Jan. 31 (13 pages).

Postsecondary institutions are required to award Supplemental Educational Opportunity Grants first to undergraduate students with exceptional need who are Pell Grant recipients and then, if funds remain, to other students with exceptional financial need. GAO found that most

grant dollars are going to intended recipients. Some institutions, however, have awarded a small portion of their grant funds in a way that is inconsistent with federal requirements. Also, the law requires grant funds to be first distributed on the basis of previous years' expenditures, not in proportion to total Pell Grant awards or aggregate students' financial needs at an institution. Any grant funds remaining in the Supplemental Educational Opportunity Grants appropriation may then be distributed among the institutions according to relative student financial need. Thus, the grant amount received by a student may depend largely on which institution the student attends.

## Energy

### **Nuclear Security: Safeguards and Security Weaknesses at DOE's Weapons Facility**

GAO/RCED-92-39, Dec. 13 (28 pages).

Despite their crucial importance to national security, safeguards at the Department of Energy's (DOE) weapons facilities may be falling short. DOE security inspections have identified many weaknesses, including poor performance by members of DOE's security force, poor accountability for quantities of nuclear materials, and the inability of personnel to locate documents containing classified information. About 13 percent of the 2,100 identified weakness resulted in DOE inspectors giving out unsatisfactory security ratings; another 38 percent led to marginal ratings. In addition, DOE's centralized safeguards and security information tracking system lacks current data on whether DOE field offices have corrected the identified weaknesses. Without reliable information, DOE has no way of knowing whether timely action was taken to correct problems, nor can it determine whether weaknesses are systemic. DOE has tried to minimize the impact of these security weaknesses at its facilities by establishing multiple layers of protection measures and instituting interim and compensatory measures for identified weaknesses. DOE is also planning enhancements to the centralized tracking system that should improve its reliability and increase its effectiveness.

### **Nuclear Waste: Slow Progress Developing Low-Level Radioactive Waste Disposal Facilities**

GAO/RCED-92-61, Jan. 10 (44 pages).

Each year, nuclear power plants, businesses, hospitals, and universities generate more than 1 million cubic feet of hardware, rags, paper, liquid waste, and protective clothing that have been contaminated with radioactivity. While most of this waste has been disposed of in facilities in Nevada, South Carolina, and Washington state, recent legislation made the states responsible—either individually, or through groups of states called compacts—for developing new disposal facilities. This report discusses (1) the states' progress and problems in meeting facility development milestones in the law, (2) federal and state efforts to resolve issues related to mixed waste (low-level waste that also contains hazardous chemicals) and waste with very low levels of radioactivity, and (3) the Department of Energy's progress in discharging the federal government's responsibility under the law to manage the most hazardous low-level waste.

**Nuclear Waste:**

**DOE Assistance in Funding Route Improvements to Waste Isolation Plant**

GAO/RCED-92-65FS, Jan. 14 (16 pages).

Located near Carlsbad, New Mexico, the Waste Isolation Pilot Plant is intended to be an underground repository for the permanent disposal of transuranic waste—material contaminated with radioactive elements that have atomic numbers greater than uranium. The Department of Energy (DOE) produces this waste at various facilities in its nuclear weapons complex. This fact sheet provides information on DOE's fulfillment agreements with New Mexico to assist the state in obtaining federal funds to improve roads in connection with the plant.

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**Testimony**

Natural Gas Regulation: Ex Parte Communications During FERC's Iroquois Pipeline Proceeding, by Martin J. Fitzgerald, Special Assistant to the General Counsel, before the Subcommittee on the Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-OGC-92-1, Jan. 16 (four pages).

First proposed in 1986, the Iroquois pipeline is a multi-million dollar project that will transport natural gas from Canada to Long Island, New York, along the way supplying gas to parts of New England. Central to GAO's testimony is the issue of ex parte communication, which refers to a "communication not on the public record with respect to which reasonable prior notice to all parties is not given." Ex parte

communications relating to the merits of agency proceedings are generally prohibited by statute, and Federal Energy Regulatory Commission (FERC) regulations prohibit its employees from requesting or entertaining prohibited ex parte communications. FERC's Office of Pipeline and Producer Regulation invited senior representatives of the pipeline sponsors to a March 1990 meeting to discuss problems associated with amendments to the applications. FERC officials learned during the meeting that Iroquois was "able and willing" to transport a volume lower than it proposed in its amended applications. In GAO's view, this goes to the heart of what FERC needed to determine in this proceeding. GAO believes that it was improper for FERC officials to request and entertain this information about the merits of an application in a meeting that was not open to all interested parties. In addition, GAO believes that the communications during the March meeting were tantamount to a request for expedited treatment, which should have been treated as an ex parte communication. Further, FERC officials at the meeting failed to prepare and file sworn statements about the prohibited communications as required by agency regulations.

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## Environmental Protection

### **Water Pollution: Nonindustrial Wastewater Pollution Can Be Better Managed**

GAO/RCED-92-40, Dec. 5 (40 pages).

Every day, the nation's sewers collect 34 billion gallons of wastewater from homes, businesses, and industry; some of this water contains toxic substances that threaten aquatic life and may cause cancer and other diseases in people. Because sewage treatment plants are typically not designed to treat toxic material, many of these substances simply pass untreated into receiving waters. This report examines (1) the range, sources, and seriousness of pollutants found in nonindustrial wastewater; (2) the strategies and programs developed by local and state governments to better manage and control these pollutants; and (3) federal options that might encourage or require better management and control of these pollutants.

**Pesticides:  
Better Data Can Improve the Usefulness of EPA's Benefit Assessments**

GAO/RCED-92-32, Dec. 31 (31 pages).

Recently introduced legislation calls for the Environmental Protection Agency (EPA) to base regulatory decisions about pesticides solely on the potential risks they pose to human health and the environment; the practice of estimating their benefits would be discontinued. This report evaluates EPA's methods for conducting benefit assessments. Specifically, GAO examines the role of benefit assessments in EPA's special reviews—in-depth analyses of the benefits and risks of already-registered pesticides that new evidence suggests may pose an unacceptable risk. GAO also determines the extent to which benefit assessments are based on adequate data, disclose any limitations, and adequately consider alternative ways of controlling pests.

**Pesticide Monitoring:  
FDA's Automated Import Information System Is Incomplete**

GAO/RCED-92-42, Dec. 31 (12 pages).

Imports of fruits and vegetables into the United States have risen substantially during the past decade. In response to public concerns about the safety of imported food, the Food and Drug Administration (FDA) has reformed its program for monitoring pesticides in imported food during the last five years. Among these reforms is the development of the Import Support and Information System (ISIS) to automate nearly all of FDA's import-monitoring operations, including pesticide residue monitoring. Repeated difficulties have plagued ISIS development, and FDA has failed to meet system commitments made to Congress. While FDA officials say that they have resolved these problems, FDA still has not developed detailed plans specifying milestones and tasks required for establishing the interface nationwide. Additionally, FDA has not yet prepared any detailed plans for developing and implementing the screening and profiling modules. GAO believes that the ISIS core system will improve FDA's import program by creating the agency's first nationally integrated and standardized automated information system for import monitoring. But these improvements will be limited until FDA adds its planned completion modules to the core. These completion modules are meant to automate data entry, supply comprehensive import information, and provide automated support for making monitoring decisions.

**International Environment:  
International Agreements Are Not Well Monitored**

GAO/RCED-92-43, Jan. 27 (60 pages).

During the past 20 years, nations have signed an increasing number of agreements on an array of environmental concerns ranging from acid rain to marine pollution. The agreements generally call for the parties to report annually on implementation. In response to congressional concerns about how well these reporting obligations are being met, GAO discusses (1) whether the agreements are specific enough to allow implementation to be measured and whether parties are reporting required information and (2) how the administrative bodies for the agreements monitor implementation. GAO also identifies proposed measures for strengthening monitoring and implementation.

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**Financial Institutions**

**Resolution Trust Corporation:  
Recoveries on Asset Sales**

GAO/GGD-92-36FS, Jan. 8 (12 pages).

This report focuses on the costs of resolving failed thrifts. GAO (1) assesses a recent Los Angeles Times article's conclusion that the Resolution Trust Corporation (RTC) will lose 40 cents per dollar on assets sales, (2) determines whether RTC has enough information on actual sales values to date, and (3) assesses whether RTC needs additional funds because of the estimated recoveries.

**Stock Markets:  
Information Vendors Need SEC Oversight to Control Automation Risks**

GAO/IMTEC-92-16, Jan. 29 (11 pages).

The automated systems run by stock market information vendors provide investors around the globe with almost instantaneous access to price quotations for the purchase and sale of stocks, latest sale prices, and number of shares traded. Brokerage firms and institutional investors rely on this information in buying and selling stocks. GAO found that all seven information vendors it reviewed are unnecessarily vulnerable to automation risks—risks that could obstruct the correct processing of data

and the responsiveness, security, and continuity of their critical stock market operations. The 81 weaknesses uncovered raise concerns that vendors have not adequately controlled automation risks; further, such weaknesses call into question how much priority vendors are placing on identifying and controlling such risks. Because the continual flow of critical market data to investors could become obstructed, the Securities and Exchange Commission needs to act to maintain this vital flow of information.

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## Testimony

Observations on the National Bank and Thrift Examiners' Conference, by Charles A. Bowsler, Comptroller General of the United States, before the House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-92-10, Jan. 3 (eight pages).

The Comptroller General testified on the National Bank and Thrift Examiners' Conference held in Baltimore, Maryland, in December 1991. Hosted by four federal financial institution regulators who issued the "Interagency Policy Statement on the Review and Classification of Commercial Real Estate Loans" in November 1991, the conference sought to review with senior examination personnel the policy statement and other issues related to credit availability. The conference did not allay GAO's concerns about the inconsistency between the policy statement and the objectives of recently passed bank reform legislation. The "broader view" approach to loan evaluation and classification and the seeming shift in the burden of proof that the examination workforce must carry is troublesome to GAO and potentially dangerous to the safety and soundness of the banking system.

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## Financial Management

### **Financial Audit: Savings Association Insurance Fund's 1990 and 1989 Financial Statements**

GAO/AFMD-92-21, Jan. 8 (26 pages).

This report presents GAO's opinion on the financial statements of the Savings Association Insurance Fund for 1990 and the period from August 9, 1989 (its inception), through December 31, 1989. For those periods, the Fund's statements present fairly, in all materials respects, its financial position and the results of its operations and cash flows in conformity with generally accepted accounting principles. GAO also reports on the

Fund's internal control structure and on its compliance with laws and regulations. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 provides the Fund with several revenue sources; however, only two sources will provide the significant amounts that may be required for resolution activity—insurance premiums and Treasury payments. This report discusses various estimates of future thrift failures and the adequacy of the Fund's revenue sources. GAO also looks at the higher cost of using entities other than the U.S. Treasury to raise funds for thrift resolutions.

**Puerto Rico:  
Audit of Grant Funds Provided to Three Major Political Parties**

GAO/HRD-92-29, Jan. 15 (15 pages).

Congress has provided \$1.5 million to the three major Puerto Rican political parties to help them participate in the legislative process involving the future political status of Puerto Rico. The political parties generally used grant funds for authorized purposes. While GAO found minor exceptions, such as payment of some unallowable entertainment expenses, these amounts were not material, and action has been taken to recover the funds. GAO also identified some questionable grant administration procedures by the political parties. For instance, some expenditures paid differed from those approved for payment by the grant officer. The expenditures paid, nonetheless, were for allowable costs. In addition, one party created a significant cash reserve for possible disallowed costs but did not deposit the funds in an interest-bearing account.

**Financial Audit:  
Trans-Alaska Pipeline Liability Fund**

GAO/AFMD-92-29, Jan. 17 (16 pages).

The Trans-Alaska Pipeline Liability Fund, a nonprofit corporate entity created in 1973, pays claims for damages, including cleanup costs, arising from oil discharges from vessel transporting Trans-Alaska Pipeline System oil loaded at Alaskan terminals to ports under U.S. jurisdiction. This report presents the results of GAO's view of the independent certified public accountants' audit of the Fund's financial statements as of December 31, 1990. GAO also assesses progress toward disposing of the Fund's balances and terminating the Fund.

**Financial Audit:  
Office of Thrift Supervision's 1989 Financial Statements**

GAO/AFMD-92-11, Jan. 24 (28 pages).

This report presents GAO's opinion on the Office of Thrift Supervision's (OTS) financial statements for October 8 through December 31, 1989. GAO's opinion on these financial statements is without qualification. However, GAO's accompanying reports on OTS' internal control structure and compliance with laws and regulations raise concerns about two matters. Specifically, GAO found that (1) OTS' assessments charged to the savings and loan industry provided funding in excess of OTS' operating expenses and need for working capital and (2) OTS did not comply with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 because it used Bank Board funds to conclude the Bank Board's affairs and did not distribute the appropriate amount of funds owed to the Federal Housing Finance Board. OTS and Federal Housing Finance Board officials have agreed to a payment of \$8.9 million to satisfy the amount OTS owes the Finance Board. This amount is reflected in OTS' financial statements as an accounts payable. In addition, the Director of OTS has agreed to adjust the assessments to better reflect OTS' working capital and operating needs.

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**Testimony**

Federally Sponsored Research: Indirect Costs Charged by Selected Universities, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-RCED-92-20, Jan. 29 (28 pages).

In testimony last year, GAO discussed how Stanford University charged excessive indirect research costs, or "overhead" as it is commonly known, to the federal government. (See GAO/T-RCED-92-18, Mar. 13.) This testimony focuses on three other institutions: Harvard Medical School, the Massachusetts Institute of Technology, and the University of California at Berkeley. GAO found many deficiencies in the cost allocation methods and charging practices at the three schools. In some cases, GAO discovered problems that the university, the university's external auditors, or government agencies had already reviewed but had not questioned. These problems arose because (1) certain Office of Management and Budget (OMB) Circular A-21 criteria were inadequate for determining which types of costs should be allowed or how costs should be properly allocated among different university functions; (2) universities generally lacked

adequate systems and internal controls to ensure that only allowable indirect costs were charged to the government; and (3) lax oversight practices by federal agencies had resulted in universities claiming excessive indirect costs. Since the March 1991 hearings, all parties involved have taken steps to address these problems. However, GAO believes that this is an opportune time to reexamine the federal government's approach to reimbursing universities for indirect costs. Both OMB and the Department of Health and Human Services have already established task forces on the cost reimbursement system. Several proposals have been offered, both for simplifying the process and for reducing overall expenditures for indirect costs through the application of caps or fixed rates on the various categories of indirect costs. GAO plans to revisit this issue in an upcoming report.

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## Government Operations

### **General Services Administration: A Status Report on Energy Conservation Efforts**

GAO/GGD-92-22, Jan. 13 (17 pages).

The Federal Energy Management Improvement Act of 1988 requires all federal agencies, including the General Services Administration (GSA), to reduce building energy usage by 10 percent from 1985 levels by 1995. While GSA has been actively pursuing energy conservation, it faces a formidable challenge in achieving the required 10-percent building energy reduction by 1995, and it is too early to tell whether GSA's efforts will be successful. Because GSA has developed a comprehensive strategy to reduce building energy usage, has begun funding a variety of specific energy conservation initiatives, and is actively exploring other energy-saving opportunities, this report makes no recommendations to GSA.

### **General Services Administration: Efforts to Communicate About Asbestos Abatement Not Always Effective**

GAO/GGD-92-28, Jan. 16 (17 pages).

The effectiveness of efforts by the General Services Administration (GSA) to communicate with tenant agencies about asbestos removal varied in the federal buildings GAO reviewed. Tenant agency employees in 10 of the 15 buildings GAO contacted were dissatisfied with GSA's communication

efforts. GSA recognizes that improvements are needed and has taken a step in the right direction by revising its guidance. GSA has not, however, addressed the need for more effective oversight of the communication process concerning asbestos. Until it has an effective oversight process, GSA will be uncertain whether the revised guidance is working or tenant agencies are satisfied.

**Status of Open Recommendations:**

**Part A—Improving National Security and International Affairs Programs**

GAO/OP-92-1A, Jan. 15.

**Status of Open Recommendations:**

**Part B—Improving Resources, Community, and Economic Development Programs**

GAO/OP-92-1B, Jan. 15.

**Status of Open Recommendations:**

**Part C—Improving Human Resources Programs**

GAO/OP-92-1C, Jan. 15.

**Status of Open Recommendations:**

**Part D—Improving Justice, General Government, Financial and Information Management, and Evaluation Programs**

GAO/OP-92-1D, Jan. 15.

This annual report summarizes the findings and open recommendations resulting from GAO audits and other review work in federal agencies for which satisfactory legislative or administrative actions have not yet been completed. To encourage prompt, responsive actions on its recommendations, GAO follows up on them. This report, presented in four volumes totaling more than 1,000 pages, contains information on 2,334 GAO recommendations that were open as of September 30, 1991.

**OPM Revolving Fund:  
Benchmarking Could Aid OPM's Efforts to Improve Customer  
Service**

GAO/GGD-92-18, Jan. 21 (32 pages).

In June 1987, GAO reported that the Office of Personnel Management (OPM) did not seem to have enough investigators to handle personnel background investigations in a timely way and reduce the backlog of completed investigations. (See GAO/GGD-87-81.) GAO recommended that OPM hire and maintain an investigator staff at levels that would solve these problems, and OPM later agreed to provide more staff. This report follows up on GAO's earlier report and examines the timeliness of investigations, overall customer satisfaction with OPM's performance, and OPM's efforts to improve timeliness.

**The Public Service:  
Issues Confronting the Federal Civilian Workforce**

GAO/GGD-92-24, Jan. 24 (60 pages).

This report addresses key issues affecting the federal public service as identified by GAO reports and testimony in 1990. These topics range from pay reform to drug testing. This report also summarizes, for fiscal year 1991, significant improvements in federal human resource management and key recommendations not yet acted on that GAO made to Congress, the Office of Personnel Management, and other agencies.

**Promoting Democracy:  
National Endowment for Democracy Efforts to Improve Grant  
Management**

GAO/NSIAD-92-89, Jan. 28 (10 pages).

The National Endowment for Democracy is a private, nonprofit organization created by Congress in 1983 to plan and administer a grants program promoting democracy around the world. From 1984 to 1990, the Endowment received about \$152 million in U.S. government funding. The Endowment has taken a number of steps to implement GAO's recommendations on improving planning, evaluation, monitoring, and financial controls. It also plans to initiate others. Because these actions will take time to implement, it is too soon to evaluate their impact on grant management. However, GAO believes that if the Endowment effectively

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carries out its planned and current activities, its planning, evaluation, monitoring, and financial controls should improve.

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## Health

### **Medical Malpractice: Alternatives to Litigation**

GAO/HRD-92-28, Jan. 10 (30 pages).

Critics say the litigation system for resolving medical malpractice claims is flawed. Claims take a long time to be resolved, legal costs are high, and settlements and awards are unpredictable. In addition, many legitimate claims may never reach the courts. Frustrated by the litigation system and its impact on the costs of medical malpractice insurance, several states have passed laws establishing alternatives to litigation. This report describes voluntary arbitration, as well as other alternatives available in other states and from two private-sector health maintenance organizations—including mandatory arbitration, no-fault programs, and assessing compliance with approved standards of care.

### **Medicare: Third Status Report on Medicare Insured Group Demonstration Projects**

GAO/HRD-92-53, Jan. 29 (eight pages).

Under an ongoing demonstration project authorized by 1987 legislation, a maximum of three employment-related groups, such as employers or unions, can agree to pay for Medicare beneficiaries' covered health care services in exchange for a fixed per-capita payment from Medicare. The idea was that such projects, which are known as Medicare Insured Groups, could combine Medicare benefits with supplemental ones offered by an employer or union, reducing costs for both by managing the combined benefits better than could be done separately. In this third status report on the projects, GAO indicates that three companies had completed studies about the feasibility of establishing Medicare Insured Groups for their retirees. Two of the companies decided not to develop such group projects because of concerns that the operations might not be financially viable. The other company has submitted a proposal to develop a group project, which was being evaluated by Medicare administrators. Two additional Medicare Insured Group projects are active. In December 1990, a health care provider began trying to pool a group of employers to

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form a group project, and a year later was continuing this effort. A union-related Medicare Insured Group project continues to develop the health network necessary for the group project to become operational.

**Drug Education:  
Rural Programs Have Many Components and Most Rely Heavily on  
Federal Funds**

GAO/HRD-92-34, Jan. 31 (28 pages).

According to the National Institute on Drug Abuse, students in rural America use alcohol and other dangerous drugs at rates similar to students in urban and suburban areas. Most rural school districts are implementing programs to combat the student drug problem. GAO estimates that 99 percent of all rural districts have at least three types of drug education components for students. Many also provide training for teachers and programs to educate and involve parents and others in the community. But most districts see a need to increase their efforts, especially student intervention services and programs to educate and involve parents or others in the community. Drug-Free Schools grants are the main source of drug education and prevention funding in over half of all rural school districts. Overall, 86 percent of rural districts received Drug-Free Schools funds for school year 1990-91, and about 66 percent of these paid for over half of their drug education with these funds. Nearly all districts use funds from other sources to help meet their drug education and prevention needs.

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**Information  
Management**

**Major NIH Computer System:  
Poor Management Resulted in Unmet Scientists' Needs and Wasted  
Millions**

GAO/IMTEC-92-5, Nov. 4 (36 pages).

In September 1988, the National Institutes of Health (NIH) awarded IBM a contract for all aspects of a major computer system, including hardware, software, and related services. The contract has a potential value of more than \$800 million. GAO found that NIH did not effectively manage four key aspects of the IBM contract, resulting in major costs and a system that did not meet scientists' needs. First, NIH's information resources management organization did not assert leadership or exercise its authority over the acquisition. Second, the acquisition was not addressed in strategic

planning efforts. Third, computer center personnel did not collect or analyze data to identify the needs of scientific users. Fourth, as a result of ineffective capacity management, NIH (1) acquired excess computer capacity and (2) spent more than \$16 million on unnecessary computers since the contract's initiation. In addition, while NIH officials tried to foster competition for the contract, they did not succeed.

**Weather Forecasting:  
Cost Growth and Delays in Billion-Dollar Weather Service  
Modernization**

GAO/IMTEC-92-12FS, Dec. 17 (34 pages).

The ability of the National Weather Service to accurately forecast severe weather has consequences for every American. Hundreds of lives and billions of dollars are lost every year to thunderstorms and lightening, tornadoes, hurricanes, blizzards, and floods. During the past 10 years, the National Weather Service has been modernizing its systems so that it can more accurately and quickly predict severe weather. Efficiencies gained from these systems will also allow a 50-percent reduction in the existing number of field offices and a 17-percent cut in overall staffing levels. More than 90 percent of the costs for this modernization and restructuring—nearly \$4.2 billion—are for acquiring four automated systems: the Next Generation Weather Radar, the Next Generation Geostationary Operational Environmental Satellite, the Automated Surface Observing System, and the Advanced Weather Interactive Processing System. Each of these systems is at a different stage of completion. Initially, the estimated cost of the systems through deployment was pegged at under \$2 billion, with deployment to be completed through the end of October 1994. The latest cost estimates for the systems, however, have doubled, and deployment of the systems is not scheduled until 1998—almost four years later. National Weather Service officials attribute the cost growth and deployment delays primarily to expanded system requirements, an increased number of units to meet other agency needs, development problems, and inflation.

**Food Safety:  
USDA Data Program Not Supporting Critical Pesticide Decisions**

GAO/IMTEC-92-11, Jan. 31 (31 pages).

The U.S. Department of Agriculture's (USDA) Pesticide Data Program is not providing pesticide residue data needed to make key regulatory decisions on ensuring food safety. Although the program's ongoing pesticide usage surveys are generally satisfying interagency users, residue data collection has had major problems. USDA originally intended to start providing residue data to the Environmental Protection Agency (EPA) and the Food and Drug Administration (FDA) on 22 food commodities and 16 pesticides in July 1991. As of January 1992, however, USDA had not provided any data because it has only assembled partial results on seven commodities and eight pesticides. More importantly, USDA's data are not statistically reliable and will therefore be of limited use to EPA in making upcoming decisions on pesticide safety in food products. Despite its lack of a statistically reliable sampling approach, USDA plans to spend \$24 million to collect residue data in fiscal years 1991 and 1992. Further, the absence of agreements with EPA and FDA on the direction of the program means that USDA risks spending money without knowing whether the program is actually improving food safety. At the conclusion of GAO's review, USDA officials said that they were trying to obtain signed agreements with the two agencies. The program's problems are magnified by the absence of an information management strategy.

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## International Affairs

### **Venezuelan Energy: Oil Production and Conditions Affecting Potential Future U.S. Investment**

GAO/NSIAD-92-73, Dec. 12 (21 pages).

### **Sector de Energia en Venezuela: La Produccion Petrolera y las Condiciones Para Posibles Inversiones de los EE.UU.**

GAO/NSIAD-92-73SV, Dec. 12 (22 pages).

Because military and political instability in the Persian Gulf makes the United States vulnerable to oil supply disruptions, a 1991 Department of Energy report encourages diversification of U.S. oil sources and greater reliance on imports from countries outside the Gulf, such as Venezuela. GAO's report, also published in Spanish, (1) discusses recent increases in Venezuelan oil production and the main factors affecting continued increases through 1996, (2) assesses recent investment reforms in the Venezuelan petroleum industry and U.S. petroleum companies' response

to these reforms, (3) identifies the major impediments and inducements to U.S. investment in Venezuela's petroleum industry, and (5) reviews U.S. government efforts to support Venezuela's energy sector.

## Justice and Law Enforcement

### **U.S. Customs Service: Limitations in Collecting Harbor Maintenance Fees**

GAO/GGD-92-25, Dec. 23 (18 pages).

This report focuses on the U.S. Customs Service's efforts to collect the fee for use of harbors and ports—the harbor maintenance fee. Cargo importers, exporters, domestic shippers of cargo between ports in the United States, foreign trade zone users, and passenger vessel operators are to pay the fee on the basis of the value of cargo and passenger fees. Collections from the fee are mainly used to pay the U.S. Army Corps of Engineers to improve and maintain ports and harbors. GAO found that Customs' controls over collecting the fee have not been fully effective and that the data needed for controlling collections are deficient. If these parties do not pay the fee, their nonpayment stands little chance of being detected, and a risk of substantial revenue loss exists. Customs recognizes the benefits of better enforcement of fee collection requirements and has scheduled audits, plans to hire more staff to do matching and auditing, and is looking at improving its systems for detecting and billing nonpayers. According to agency officials, however, these actions are dependent on funding. The law now restricts Customs from using fee revenue to pay for activities associated with collecting the fee. Legislation has been introduced to allow fee revenue to help pay for the costs associated with collecting the fee. GAO supports such a measure.

### **Immigration Control: The Central Address File Needs to Be More Accurate**

GAO/GGD-92-20, Jan. 23 (18 pages).

The Central Address File will be used to record and preserve the names and addresses of aliens and their representatives in deportation proceedings. Because the file is not yet fully implemented, the results of GAO's review reflect the accuracy of address information in the automated system the Department of Justice uses to notify aliens about their deportation hearings. Therefore, GAO's results could differ after the system has been fully implemented. In reviewing the Central Address File in four

field offices, GAO estimates that 22 percent of the records had inaccurate names and addresses. In addition, GAO estimates that nine percent of the representatives' names and addresses were also inaccurate. Combining its results for both categories, GAO believes that 12 percent of aliens may not be notified about deportation hearings due to inaccurate names and addresses. Justice plans to revise its current procedures so that alien and representative addresses are entered correctly initially and the information is properly updated. Justice also plans to provide more training for data entry staff and is considering reviewing the Central Address File.

## National Defense, Security, and Military Procurement

### **Chemical Weapons: Stockpile Destruction Cost Growth and Schedule Slippages Are Likely to Continue**

GAO/NSIAD-92-18, Nov. 20 (32 pages).

Congress has directed the Defense Department to destroy the U.S. stockpile of chemical weapons by September 30, 1994. However, continuing problems in the Army's disposal program suggest that increased costs and more time will be needed to accomplish that task. Since the issuance of its 1988 estimates to Congress, the Army has experienced additional program requirements; material costs and wages have risen; and technical and programmatic problems have caused delays. Although the Army revised its estimates in an April 1991 report to Congress, saying that the disposal program would cost \$6.5 billion and would not be completed until July 1999, this completion date relies on an overly optimistic projection of the number of chemical weapons and agents to be destroyed per hour. The projection almost doubles what the Army has been able to achieve during its initial test phase at the Johnston Atoll. In addition, the July 1999 date does not reflect the recent six-month shutdown of the Johnston facility while possible construction defects were being investigated. Nor does the overall destruction schedule allow for time to resolve additional unforeseen problems. The Army has been investigating other disposal technologies, which should help it determine whether faster and less costly alternatives exist for disposing of the chemical stockpile. On a related matter, the Army's annual report to Congress lacks detailed analyses of the program's estimated costs, destruction schedules, and factors that could affect the reliability of the estimates. Without such information, Congress cannot fully assess the progress of the Army's efforts to destroy the stockpile.

**Army Reserve Components:  
Accurate and Complete Data Is Needed to Monitor Full-Time  
Support Program**

GAO/NSIAD-92-70, Dec. 30 (10 pages).

Several hundred Army Reserve and National Guard units were activated for Operations Desert Shield and Desert Storm, yet some full-time support personnel holding key positions in these units reportedly did not serve with them. GAO found that the Army cannot effectively monitor the full-time support program because it lacks an accurate, complete personnel data base and has not adequately defined the information needed for effective program oversight and analyses. As a result, the Army does not know how many full-time support personnel never served with their units during Operation Desert Storm, whether due to medical reasons or personal hardships. Although a program objective is to help Army reserve units shift from peacetime to wartime operations, full-time support personnel are not sufficiently trained on the active Army's personnel and supply systems to provide that essential assistance. An earlier GAO report (GAO/NSIAD-91-263, Sept. 24, 1991) noted that this lack of knowledge had hampered units' transition to wartime operations.

**Defense Health Care:  
Transfers of Military Personnel With Disabled Children**

GAO/HRD-92-15, Jan. 9 (eight pages).

This report provides information on Defense Department procedures used to reassign personnel with disabled children, who often have special educational or therapy needs. GAO discusses (1) whether disproportionate numbers of personnel who have children with disabilities are transferred inappropriately to military bases in some states, such as Washington; and (2) the status of efforts to resolve disputes that have arisen between the Civilian Health and Medical Program of the Uniformed Services and the states over who should pay for services provided to these children.

**Operation Desert Storm:  
Early Performance Assessment of Bradley and Abrams**

GAO/NSIAD-92-94, Jan. 10 (42 pages).

The Bradley Fighting Vehicle and the Abrams Main Battle Tank are the Army's premier ground combat vehicles. During the war with Iraq, 2,200 of these vehicles were sent to the Persian Gulf. This report looks at (1) how well their systems performed during the war and whether improvements are needed, (2) what types of problems the two systems experienced, and (3) how well combat support vehicles were able to recover or keep pace with the Bradley and the Abrams.

**Defense Contracting:  
Key Data Not Routinely Used in Progress Payment Reviews**

GAO/NSIAD-92-1, Jan. 14 (23 pages).

Congress recently expressed concern about excessive progress payments made by the Navy to contractors associated with the A-12 (an advanced-attack aircraft) program. The administrative contracting officers in charge of various contracts GAO reviewed had not routinely used the most timely indications to spot cost overruns and thus were not in the best position to prevent overpayments. As a result of problems with the A-12, the Defense Contract Management Command recently issued guidance requiring the Defense Plant Representative Offices to use this information in quarterly program assessments and in annual progress payment reviews but not as part of monthly reviews of progress payments.

**Defense Industrial Base:  
Industry's Investment in the Critical Technologies**

GAO/NSIAD-92-4, Jan. 15 (12 pages).

For many years, the Defense Department (DOD) has sponsored research and development either directly, by issuing a contract or grant, or indirectly, by allowing contractors to include Independent Research and Development/Bid and Proposal expenses in overhead costs. DOD does not now gather information on whether contractors' Independent Research and Development/Bid and Proposal expenses are addressing technologies considered central to the long-term qualitative superiority of U.S. weapon systems. GAO surveyed 121 contractors in this program; 92 reported that in 1990 they spent \$2.9 billion, or almost half, of their expenditures on the goals listed in DOD's Critical Technologies Plan. They also said that most of their firms' total Independent Research and Development/Bid and Proposal work is on near-term development efforts aimed at designing, developing, or testing a new or improved product. Sixty percent or more

of the contractors GAO contacted said that recent legislation—Public Law 101-510—will have little or no effect on their investments in critical or environmental technologies, and almost 45 percent believe that the law will have little or no effect on the work being done on dual-use technologies.

**Military Base Closures:  
U.S. Financial Obligations in the Philippines**

GAO/NSIAD-92-51, Jan. 22 (36 pages).

The U.S. has invested more than \$2 billion in military facilities in the Philippines. Under a military basing agreement, the United States is liable for certain costs when it leaves Clark Air Force Base and the Subic Bay Navy Facility. This report looks at (1) contract terminations costs and separation allowances for Filipino civilian employees and arrangements for covering these liabilities, (2) the U.S. investment in removable and nonremovable property on these bases and the effect of the basing agreement on this investment, and (3) the nature of any environmental damage and the U.S. obligation for any environmental cleanup or restoration.

**Army's M109 Howitzer:  
Required Testing Should Be Completed Before Full-Rate  
Production**

GAO/NSIAD-92-44, Jan. 23 (25 pages).

The Army has spent about \$500 million through fiscal year 1991 to upgrade the M109 howitzer. GAO found that the Army approved and contracted for low-rate initial production of a modified howitzer called the "Paladin," even though the system had significant unresolved operational and technical problems with several subsystems. The Army is now producing howitzers containing most of the improvements intended to correct the problems. Until these improvements are further tested, however, it will remain unclear whether the problems have been cleared up. The Army plans a follow-on operational test and evaluation of Paladin howitzers to verify that the problems have been resolved and to support a decision on full-rate production. However, significant numbers of Paladins could be procured before such testing is finished. Since approval of the program in 1984, the estimated unit cost for the Paladin tripled from \$500,000 to about

\$1.5 million. This unit cost increase is due mainly to changes in the configuration of the howitzer, a quantity reduction, and inflation.

**Defense Acquisition:  
The Special Operations Forces Aircrew Training System at One Year**

GAO/NSIAD-92-52, Jan. 31 (15 pages).

The Special Operations Forces Aircrew Training System is intended to integrate classroom, simulator, and in-flight aircraft training for seven different kinds of aircraft. Even though the Air Force has tried to ensure that the program is run effectively, the contractor is experiencing cost growth and a schedule delay. To minimize risk, the Air Force used a two-phased acquisition approach involving contractor competition and also retained key personnel to build program continuity. In addition, the program office obtained coordination and cooperation commitments from key agencies within and outside the Air Force at the beginning stages of the contract. As of July 1991, however, the contractor had a cumulative overrun of 29 percent (about \$6 million) above the \$20.5 million it had estimated spending to that point and was about two months behind schedule on a preliminary software design review. According to the program office, if the overrun continues, costs for the first two options could rise to \$94 million, or a \$22 million increase above the originally estimated cost of \$72 million. Also, the prime contractor rather than an outside firm is doing independent verification and validation of software. Independent verification and validation is intended to provide greater assurance that the software will work. In the past, GAO has stated that true independence requires that this effort not be done by the same contractor that develops the software; DOD's Inspector General has taken a similar position.

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**Science, Space, and  
Technology**

**Space Shuttle:  
NASA Faces Challenges in Its Attempt to Achieve Planned Flight Rates**

GAO/NSIAD-92-32, Dec. 6 (48 pages).

The space shuttle, America's only manned launched vehicle, is one of NASA's largest programs, consuming more than one-quarter of the agency's total budget. This report examines (1) factors associated with achieving

planned flight rates, (2) processes to ensure that safety is not compromised by increasing flight rates, (3) the impact of variations in flight rate estimates on procuring subsystems and spare parts, and (4) planned use of expendable launch vehicles for payloads not requiring the shuttle. GAO recommends that NASA reduce advanced solid rocket motor manufacturing equipment to be consistent with current shuttle flight rate estimates and determine how much could be saved by reducing the size of motor manufacturing facilities.

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## Social Services

### **Interstate Child Support: Mothers Report Receiving Less Support From Out-of-State Fathers**

GAO/HRD-92-39FS, Jan. 9 (36 pages).

This fact sheet provides information on interstate child support cases—those in which one of a child's parents lives in a state different from that of the parent living with the child. In the spring of 1990, interstate child support cases represented at least one-quarter of all child support cases in the United States; in-state cases approximated 64 percent of all cases; and the other 11 percent were largely cases in which the noncustodial fathers' residence was unknown. Mothers in interstate cases were less likely to receive support payments than those in in-state cases, even though about the same proportion of each (60 percent) reported having support awards. More than 41 percent of all custodial mothers who did not have child support awards reported that they did not want child support or did not pursue an award. One-half to three-quarters of all custodial mothers who had support awards said that they did not receive health insurance coverage from the noncustodial father. Other child support and socioeconomic characteristics of custodial mothers did not differ materially by noncustodial fathers' residence. Similar proportions of mothers in in-state, interstate, and other child support cases received public assistance and sought title IV-D child support services. The income, education, and race of custodial mothers also did not differ materially by type of support case.

### **Unemployed Parents: Initial Efforts to Expand State Assistance**

GAO/PEMD-92-11, Jan. 14 (40 pages).

The Family Support Act of 1988 requires that cash assistance provided under the Unemployed Parent section of the Aid to Families with Dependent Children program be made available in every state beginning in October 1990. Before then, 18 states never had such a program, and several others had discontinued it. This report addresses the following five questions: (1) Is the Unemployed Parent program in place nationwide as required by law and to what extent? (2) What options did states select in implementing their program? (3) To what sorts of Job Opportunities and Basic Skills (JOBS) training and employment services will Unemployed Parent recipients have access? (4) How do states plan to structure and deliver the JOBS program in general? (5) What kinds of performance and outcome measures will be available to assess Unemployed Parent programs?

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## Tax Policy and Administration

### **Tax Administration: IRS' Implementation of Certain Compliance Initiatives**

GAO/GGD-92-45FS, Jan. 30 (10 pages).

GAO is monitoring the Internal Revenue Service's (IRS) tracking of three fiscal year 1991 compliance initiatives. The three initiatives were designed to (1) revise IRS' training program for revenue agents so that experienced staff would spend less time training new staff and, as a result, have more time for audit work; (2) increase examination staff so that IRS could audit more returns; and (3) increase collection staff so that IRS could collect more delinquent accounts. The results for these initiatives were mixed. IRS used contract instructors less extensively than expected. Nonetheless, IRS reported that its opportunity cost savings from its training initiative were \$4 million more than originally estimated. These additional savings resulted from the conservative approach IRS used in estimating first-year opportunity cost savings from this initiative. The examination initiative exceeded its staffing goal by 46 staff years, but lost almost \$9 million more than IRS expected. This additional loss arose because opportunity costs associated with training new revenue agents were higher than anticipated. IRS did not meet its target for the total dollars collected from delinquent accounts in fiscal year 1991. Yet, IRS has said that the collection initiative achieved its revenue target of \$38.7 million. IRS arrived at this conclusion by reducing the baseline against which initiative results were measured.

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## Testimony

**Tax Policy: Summary of GAO Work Related to Expiring Tax Provisions**, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the House Committee on Ways and Means. GAO/T-GGD-92-11, Jan. 28 (24 pages).

This testimony summarizes GAO's work on five of the 12 expiring tax provisions that were last extended by the Tax Extension Act of 1991. These provisions include the tax exemption for qualified mortgage revenue bonds, tax credit for targeted jobs, tax credit for low-income rental housing, tax credit for qualified research expenditures, and exclusion for employer-provided educational assistance benefits. Of the 12 provisions, these five account for about 70 percent of the estimated foregone federal revenues in fiscal years 1992 through 1996.

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## Transportation

**Transportation Infrastructure:  
The Nation's Highway Bridges Remain at Risk From Earthquakes**

GAO/RCED-92-59, Jan. 23 (40 pages).

The October 1989 Loma Prieta Earthquake devastated the Cypress Viaduct and a section of the Bay Bridge connecting Oakland and San Francisco, killing 43 people. The earthquake also damaged 95 other bridges. In assessing the threat that earthquakes pose to America's bridges, GAO found that bridges in 31 states are at peril from moderate- to high-intensity earthquakes. Yet earthquakes need not be severe to damage bridges. For example, it is estimated that more than one-third of the bridges in Memphis, Tennessee—located near the New Madrid fault—would be damaged by a moderate earthquake; experts project the chance of such an earthquake along the fault at between 40 and 63 percent over the next 15 years. The Federal Highway Administration (FHWA) has encouraged states to identify and retrofit existing bridges along routes vital for national defense, commerce, or emergency evacuation. Despite such efforts, states have done little to identify and correct seismic-related bridge deficiencies. State officials attribute such inaction to limited funding, a lack of technical information available for seismic retrofit work, and a belief that their state has a low risk of earthquake damage. Further, the seismic vulnerability of the nation's bridges is largely unknown. Although FHWA requires states to report annually on the overall structural condition of their bridges, they need not identify bridges subject to earthquakes.

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**Air Traffic Control:  
Software Problems at Control Centers Need Immediate Attention**

GAO/IMTEC-92-1, Dec. 11 (19 pages).

Software problems at air route traffic control centers continue to disrupt the air traffic control system. Since 1987, when the Federal Aviation Administration (FAA) installed new hardware to help control air traffic, almost 4,000 system software problems have been reported; as of June 30, 1991, more than 1,600 of these problems remained unresolved. FAA's efforts to resolve software problems have been neither timely nor effective. FAA attributes its backlog of software problems and continued reliance on temporary fixes to a lack of necessary resources. It has not, however, developed a plan to identify the resources needed to maintain the en route system until modernization is completed, and it lacks key tools to estimate the resources required for such maintenance.

**Mass Transit Grants:  
Noncompliance and Misspent Funds by Two Grantees in UMTA's  
New York Region**

GAO/RCED-92-38, Jan. 23 (41 pages).

The Urban Mass Transportation Administration's (UMTA) grants management oversight is among the 16 federal areas identified by GAO as being at high-risk for waste, fraud, abuse, and mismanagement. This report examines compliance with federal requirements by grant recipients in UMTA's Region II, headquartered in New York City, and the effectiveness of UMTA's oversight of Region II grantees. In reviewing two of the region's main grant recipients—the Long Island Railroad and the New York City Transit Authority—GAO found that Region II oversight failed to detect and correct problems highlighted by the Office of the Inspector General, the New York State comptroller's office, and others. Region II did not aggressively enforce UMTA regulations or force grantees to take corrective actions. As a result, the two grant recipients remained out of compliance, and longstanding deficiencies went uncorrected. In addition, federal funds are at risk of further mismanagement because the region has not complied with UMTA's administrative requirements to review grantee overhead costs, close out inactive grants, and deobligate unused funds. Until the region undertakes more assertive oversight, funds will continue to be misspent, and the region will continue to send a message to grantees that federal requirements are unimportant.

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Testimony

**Railroad Safety: Accident Trends and FRA Safety Programs**, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations. GAO/T-RCED-92-23, Jan. 13 (19 pages).

This testimony discusses past GAO work on rail safety and pending legislation introduced in response to recent rail accidents involving the release of dangerous chemicals. GAO testified that although rail accidents have declined over the past 11 years for several reasons, GAO believes that they are still too high. The Federal Railroad Administration has been conscientious about responding to GAO reports, reflecting a sincere commitment to improve its operations and increase the safety of the railroad industry. Many corrective actions, however, are still being implemented or are so new that GAO cannot comment on their effectiveness. Overall, pending legislation in Congress would also improve rail safety, particularly in the hazardous materials area. As GAO mentioned in earlier reports, one issue that still needs to be addressed is the problems associated with the Research and Special Programs Administration's hazardous materials data base. Congress may want to focus on this issue when considering future legislation to improve hazardous materials transportation safety.

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Veterans Affairs

**VA Health Care:  
Modernizing VA's Mail-Service Pharmacies Should Save Millions of Dollars**

GAO/HRD-92-30, Jan. 22 (21 pages).

The Department of Veterans Affairs (VA) could save millions of dollars by modernizing its mail-service pharmacies. Currently, VA runs too many mail-service pharmacies, which rely on labor-intensive processing of veterans' prescriptions. Also, because VA's pharmacies fill prescriptions in small quantities that are uneconomical, they incur unnecessary handling costs. VA recently began studying ways to change the basic structure of its mail-service pharmacies. This study, however, lacks an assessment of optimal prescription-dispensing quantities. VA will be unable to implement a systemwide modernization plan that maximizes cost savings unless it dispenses prescription medications in economical amounts.

**VA Health Care for Women:  
Despite Progress, Improvements Needed**

GAO/HRD-92-23, Jan. 23 (36 pages).

The Department of Veterans Affairs (VA) has made significant progress since 1982—when GAO last reported on this issue (see GAO/HRD-82-98)—in ensuring that female veterans receive the same access to health care as male vets. The increased emphasis on identifying and correcting problems concerning care for women veterans followed both the creation of an Advisory Committee on Women Veterans at the Central Office and the appointment of a women veterans coordinator at each medical center. Yet problems remain. Physical examinations for women veterans, including cancer screenings, remain sporadic. VA medical centers are inadequately monitoring their in-house mammography programs to ensure compliance with quality standards. Center procedures are inadequate to ensure that patient privacy limitations affecting women patients are identified and corrected during facility renovations. VA medical centers could improve compliance with physical examination requirements if the VA Central Office ensured that information about best practices is disseminated and, where appropriate, implemented throughout the system.



# Order Form

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## AGRICULTURE AND FOOD

Farmers Home Administration: Debt Relief Actions for Business Entity Borrowers Are Questionable  
GAO/RCED-92-29, Dec. 10.

Crop Insurance: Inaccurate FCIC Price Forecasts Increase Program Costs  
GAO/PEMD-92-4, Dec. 13.

Crop Insurance: Program Has Not Fostered Significant Risk Sharing by Insurance Companies  
GAO/RCED-92-25, Jan. 13.

### Testimony

Livestock Marketing: USDA's Oversight of Competitiveness Needs to Be Enhanced  
GAO/T-RCED-92-19, Jan. 15

## BUDGET AND SPENDING

Budget Issues: 1991 Budget Estimates—What Went Wrong  
GAO/OCG-92-1, Jan. 15.

Line Item Veto: Estimating Potential Savings  
GAO/AFMD-92-7, Jan. 22.

### Testimony

Fiscal Year 1993 Budget Estimates for the General Accounting Office  
GAO/T-OCG-92-2, Jan. 28.

## BUSINESS, INDUSTRY, AND CONSUMERS

Small Business: Financial Condition of SBA's Business Loan Portfolio Is Improving  
GAO/RCED-92-49, Dec. 3.

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## ENVIRONMENTAL PROTECTION

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GAO/RCED-92-43, Jan. 27.

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### Testimony

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## Testimony

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## Testimony

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